

Message Text

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TAGS EFIN PFOR, ACLM GR GW, US

SUBJ: FRG-GOG WORLD WAR I DEBT SETTLEMENT

REF (A) LONDON 2452; (B) STATE 21512

1. ON FEB 12 EMBOFFS DISCUSSED CONTENTS OF REF B WITH LEONIDAS MARCANTONATOS, DIRECTOR, MFA OFFICE OF SPECIAL ECONOMIC AFFAIRS, FULL ACCOUNT OF MEETING AIRPOUCHED EUR/SE/GRK AND L. MARCANTONATOS REQUESTED NOTE VERBALE ON US PROPOSALS (WHICH EMBASSY SUBSEQUENTLY PROVIDED). AND INDICATED THAT ANY DECISION ON OUR PROPOSALS WOULD HAVE TO BE MADE AT MINISTERAIL LEVEL.

2. HE PROCEEDED, HOWEVER, TO PROVIDE UNOFFICIAL REVIEW OF STATUS QUO FROM GOG PERSPECTIVE. HE STATED THAT GOG DOES NOT DISPUTE ITS COMMITMENT TO DR. PLEWNIA FOR 10 PERCENT OF FINAL SETTLEMENT, AND IS WILLING TO MAKE PAYMENT WHEREVER PLEWNIA WISHES. HE ADDED CERTAIN QUALIFICATIONS, HOWEVER, GOG IS PREPARED TO ALLOW PLEWNIA TO TAKE 7.625 PERCENT OF EACH PAYMENT AS MADE BY FRG, IN GERMANY AND IN DEUTSHE MARKS. THE BALANCE OF THE 10 PERCENT LAWYERS' FEE IS BEING CONTESTED IN GREEK COURTS (CASE BEGAN ON JANUARY 10) BY GREEK LAWYER JOHN PSIMENOS, WHO ORIGINALLY WAS PART OF PLEWNIA-HAUSER-CLAY TEAM. GOG SUGGESTS THAT

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THIS 2.375 PERCENT IN QUESTION BE PLACED IN "BONDED

ACCOUNT" IN GERMANY. IN EVENT PSIMENOS LOSES CASE (WHICH IS AGAINST GOG, NOT PLEWNIA), THE ADDITIONAL 2.375 PERCENT WILL BE RELEASED TO PLEWNIA), THE ADDITIONAL 2.375 PERCENT WILL BE RELEASED TO PLEWNIA. IN EVENT PSIMENOS WINS, GOG PROPOSES TO PAY HIM THE 2.375 PERCENT DIRECTLY IN GREECE. MARCANTONATOS STATED THAT PLEWNIA FINDS THE TERMS OF THIS PROPOSAL ACCEPTABLE, WITH ONE EXCEPTION: HE HAS REQUESTED THAT GOG AGREE TO WITHHOLD PAYMENT TO PSIMENOS, IF HE SHOULD WIN COURT CASE, TO PROVIDE AN OPPORTUNITY FOR PLEWNIA-PSIMENOS NEGOTIATION. GOG WILL NOT ACCEDE TO THIS REQUEST.

3. HE OFFERED AS PERSONAL VIEW THAT DEPT'S SUGGESTION OF GOG ENDORSEMENT OF ITS EARLIER COMMITMENTS TO PLEWNIA WOULD PROBABLY BE ACCEPTABLE. HE DID NOT SEEM TO SEE ANY CONTRADICTION BETWEEN GOG ENDORSEMENT OF ITS ORIGINAL COMMITMENT TO PLEWNIA AND QUALIFICATION WHICH GOG IMPOSING DUE TO PSIMENOS CLAIM.

4. PSIMENOS, WHO HAS CALLED UPON EMBOFF SEVERAL TIMES, REQUESTED FEB 19 APPOINTMENT FOR HIMSELF AND SMALL DELEGATION FROM CLAIMANTS UNION TO PROTEST DELAY IN APPROVAL. DURING COURSE OF DISCUSSION EMBOFF EXPLAINED TO CLAIMANTS THAT USG DOES NOT WISH TO DELAY SETTLEMENT, BUT HAS BEEN PLACED IN DIFFICULT POSITION BY REPRESENTATIONS OF AMERICAN LAWYERS, WHO HAVE LEGITIMATE INTEREST IN APPROVAL QUESTION. EMBOFF ALSO POINTED OUT THAT ALL LAWYERS WHO ENTITLED TO FEE, WHETHER AMERICAN, GERMAN, OR GREEK, ARE IN AGREEMENT ON PAYMENT BASIS (I.E., 10 PERCENT TO PLEWNIA IN GERMANY) EXCEPT PSIMENOS, AND THAT INFORMAL AGREEMENT BETWEEN PSIMENOS AND OTHER LAWYERS WOULD CONTRIBUTE GREATLY TO RESOLUTION OF APPROVAL QUESTION. PSIMENOS INDICATED AN UNWILLINGNESS TO ENTER INTO ANY COMPROMISE. HE IS APPARENTLY INVOLVED IN A DISPUTE WITH HAUSER OVER HIS NET SHARE OF THE LAWYERS' PROCEEDS, WHICH CENTERS ON WHAT HE REGARDS AS EXORBITANT CLAIMS FOR EXPENSES WHICH HAUSER IS PRESSING AGAINST HIM.

5. REACTION OF OTHER PARTICIPANTS IN MEETING WAS OF INTEREST. THEY HAD APPARENTLY BEEN UNAWARE OF PSIMENOS COURT CASE, AND FACT THAT ALL OTHER LAWYERS IN CASE WERE IN AGREEMENT LIMITED OFFICIAL USE

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SEEMED TO MAKE CONSIDERABLE IMPRESSION ON THEM. THE EXPRESSED GREATER UNDERSTANDING OF US POSITION, AND ONE OF CLAIMANTS CONFIDED IN EXITING THAT HE INTENDED TO ORGANIZE AN ATTEMPT TO PRESSURE PSIMENOS INTO SEEKING A COMPROMISE WITH HIS FORMER ASSOCIATES.

6. COMMENT: IT APPEARS THAT USG HAS BEEN PLACED IN POSITION OF BLOCKING FINAL SETTLEMENT BECAUSE OF DISPUTE

BETWEEN LAWYERS OVER LESS THAN 3 PERCENT OF TOTAL (AND
LESS THAN 30 PERCENT OF LAWYERS' FEES) AT A TIME OF
PARTICULAR SENSITIVITY IN OUR BILATERAL RELATIONS. IT
MIGHT BE USEFUL FOR DEPARTMENT TO SUGGEST TO AMERICAN
LAWYERS THAT THEY CONSIDER APPROACHING PSIMENOS WITH COM-
PROMISE OFFER. SINCE REASON FOR US DELAY NOW CLEAR TO
PSIMENOS, AND WITH POSSIBILITY OF PRESSURE FROM HIS OWN
CLIENTS, HE MAY PROVE RECEPTIVE. EMBASSY WILL REPORT
OFFICIAL GOG RESPONSE TO DEPT'S PROPOSALS AS SOON AS
RECEIVED.
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